

VERMONT PENSION AND INVESTMENT COMMITTEE

October 11, 2005

Members Present:

JEB SPAULDING, VT State Treasurer
WARREN WHITNEY, Vice-Chairman, VSEA member (term expiring September, 2006)
LINDA McINTIRE, Commissioner of Human Resources
JAMES REARDON, Commissioner of Finance & Management
ROBERT HOOPER, VSEA member (term expiring September 2006)
TOM GIFFIN, VSEA Alternate member (term expiring September 2007)
JANICE ABAIR, Retired Vermont State Employees' Association
DICK JOHANNESSEN, VSERS Governor's Delegate
STEVEN JEFFREY, Employee Representative (term expiring July 1, 2007)
DAVID LEWIS, Employer Representative (term expiring July 1, 2006)
MARIE DUQUETTE, VMERS Governor's delegate
JON HARRIS, Active No. 25669 (term expiring July 1, 2007)
THOMAS CANDON, representing Commissioner of BISHCA
VAUGHN ALTEMUS, representing Commissioner of Education
JOSEPH MACKEY, Active No. 29334 (term expiring July 1, 2009) – later in the meeting
via conference call

Members Absent:

WILLIAM HARKNESS, VSEA member (term expiring September 2007)
JAY KAPLAN, Association of Retired Teachers of Vermont, (term expiring July 1, 2008)
W. JOHN MITCHELL, II, Employee Representative (term expiring July 1, 2008)

Also attending:

Donna Holden, Clerk
David Minot, Director of Finance and Investments
Bill Rice, Director of Law and Policy
Ellen Griggs, Kevin Kondry, Joe Miletich, Sean Gill, New England Pension Consultant

The Chairperson, Jeb Spaulding, called the meeting to order at 8:08 a.m. on Tuesday, October 11, 2005 in the Executive Boardroom, Capitol Plaza, Montpelier, VT. Introductions followed.

ITEM 1: Committee Education

- A. Domestic Equity Allocations
 - Satellite Investments
 - Other Alpha Generators
- B. Fixed Income Education
 - Active vs. Passive (Indexing) Management

Along with the Committee, Mr. Miletich and Ms. Griggs reviewed and discussed the October 11, 2005 book provided by NEPC, *Asset Allocation & Global Asset Allocation Strategies*.

Mrs. McIntire left the meeting.

Mr. Mackey joined the meeting via conference call.

ITEM 2: Committee Action Items

A. Approval of Minutes – August 17 & 18, 2005 regular meeting

On a motion by Mr. Whitney seconded by Mr. Altemus, the Committee unanimously voted to approve the minutes of the August 17th and August 18th, 2005 regular meeting, as amended.

B. Investment Policy Revision: PIMCO

The Committee discussed the proposed exceptions, and process for VPIC adoption of existing *Statement of Investment Policy* revisions. Mr. Whitney advised that NEPC was working on a consolidated *Policy*, which was expected to be presented at the November meeting.

On a motion by Mr. Hooper seconded by Mr. Whitney, the Committee unanimously voted to approve the PIMCO exceptions, as submitted, for inclusion in each of the systems' existing *Statement of Investment Policy Guidelines*.

The Committee reviewed and discussed the October 4, 2005 memo distributed by Chief Assistant Attorney General, Bill Griffin, regarding PIMCO contractual observations.

Mrs. McIntire returned to the meeting.

C. Investment Policy Revision: SSgA Equal Weighted

On a motion by Mr. Candon seconded by Mr. Altemus, the Committee unanimously voted to approve SSgA Equal Weighted exemptions, as submitted, for inclusion in each of the systems' existing *Statement of Investment Policy Guidelines*.

Mr. Reardon left the meeting.

D. Subcommittee Reports

■ Policy Subcommittee

Mr. Jeffrey provided a verbal report on the September 27, 2005 subcommittee meeting. He said a written report and policy recommendations would be presented for approval, at the November meeting.

■ Investment/Search Subcommittee

Mr. Whitney provided a written report of the September 26, 2005 subcommittee meeting.

Mr. Whitney made a motion seconded by Mr. Hooper to authorize NEPC to provide the VPIC with a report outlining results from the previously conducted Environmental Manager RFI.

Discussion ensued.

Mr. Mackey left the meeting

On a motion by Mr. Candon seconded by Ms. Abair, the Committee unanimously voted to table action on this item pending a written motion to consider.

Mr. Lewis requested, to which NEPC agreed to provide, written information describing the difference between “socially responsible” and “environmentally responsible” investments.

On a motion by Mr. Hooper seconded by Mr. Johannesen, the Committee unanimously voted to adopt the subcommittee recommendation regarding future NEPC Quarterly Report formatting and distribution.

Discussion ensued regarding the RFI/RFP process and subcommittee recommendations.

On a motion by Mr. Jeffrey seconded by Mr. Hooper, the Committee unanimously voted to direct the Investment/Search Subcommittee to develop an RFI/RFP policy for VPIC approval.

On a motion by Mr. Hooper seconded by Mr. Harris, the Committee unanimously voted to accept the Investment/Search subcommittee report, as submitted.

E. Other Investment Business

Mr. Spaulding referred the Committee to the October 6, 2005 memo from Mr. Rice, Director of Law & Policy, regarding his opinion of the requirement to warn subcommittee meetings. Meetings are warned on the Department of Libraries Public Meeting Schedule Website.

The Committee reviewed the Global Asset Allocation (GAA) investment strategy and manager proposals discussed earlier, and whether to seek an Administrative Bulletin 3.5 waiver regarding RFP requirements.

Mr. Minot explained a Bulletin 3.5 waiver request was previously granted to the Treasurer’s Office on behalf of the Retirement Systems with respect to bidding requirements and contract duration, which could be used in this matter.

On a motion by Mr. Hooper seconded by Mr. Harris, the Committee unanimously voted to move forward with the Global Asset Allocation (GAA) proposal and authorize NEPC at the next VPIC meeting to provide updated asset allocation tube charts adding 10% to a GAA bucket, funding recommendation, *Statement of Investment Policy Guideline* definitions, historical performance summaries including GAA as part of the allocations for the past 5-7 years, and invite PIMCO All Assets and Mellon Global Alpha 1 managers to meet with the Committee, in November.

Ms. Abair left the meeting during the next item.

Mrs. McIntire left the meeting during the next item.

Mr. Whitney left the meeting during the next item.

Mr. Giffin left the meeting during the next item.

ITEM 1: Committee Education (Continued)

E. Alternative Asset Education

- Private Equity
- Hedge Funds
- Venture Capital

Along with the Committee, Mr. Gill and Mr. Miletich reviewed the October 11, 2005 book provided by NEPC, *Alternative Assets Education*.

NEPC will work with Mr. Minot to develop a priority list for the VPIC to consider.

ITEM 3: Adjournment

Due to the lack of a quorum, the Chairperson declared the meeting adjourned at 4:15 p.m.

Next Meeting Date:

Quarterly Investment meeting - November 29th and November 30th, 2005.

Respectfully submitted,

Donna Holden, Clerk